

Joint Legislative Budget Committee - Fiscal Year 2000 and 2001 Budget - Analysis and Recommendations

DEPT: State Department of Corrections

JLBC: Lorenzo Martinez
House: Blewster

OSPB: Doug Tucker
Senate: Hamilton

DESCRIPTION	FY 1998 ACTUAL	FY 1999 ESTIMATE	FY 2000		FY 2001	
			OSPB	JLBC	OSPB	JLBC
BY PROGRAM/ORGANIZATION						
Prison Operations	378,879,900	423,938,700	463,040,300	444,737,200	476,278,200	464,658,400
Inmate Health Services	54,250,100	67,359,200	70,941,300	71,174,600	72,302,700	72,495,600
Office of the Director	2,439,200	1,971,100	2,036,500	1,989,200	2,042,300	1,993,800
Inspections and Investigations	4,304,700	5,036,300	5,601,100	5,404,400	5,354,400	5,314,700
Community Corrections	8,106,400	7,950,600	7,993,100	8,058,700	8,038,200	8,094,800
Human Resources and Development	6,792,500	8,581,900	9,024,500	8,579,900	8,544,100	8,404,300
Administration	20,553,200	20,419,400	18,346,500	17,507,400	18,487,800	17,790,100
AGENCY TOTAL	475,326,000	535,257,200	576,983,300	557,451,400	591,047,700	578,751,700

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	9,020.4	9,959.4	10,679.4	10,666.4	10,683.4	10,677.4
Personal Services	235,143,300	270,751,600	311,680,300	297,987,700	318,747,800	307,636,500
Employee Related Expenditures	69,140,400	77,240,100	86,434,100	83,686,700	90,193,900	88,168,100
All Other Operating Expenditures:						
Professional and Outside Services	25,330,800	32,380,900	35,269,300	35,036,900	37,996,400	36,241,500
Travel - In State	765,100	856,700	967,900	949,000	975,500	978,900
Travel - Out of State	100,000	118,600	125,300	61,400	130,100	32,300
Other Operating Expenditures	57,847,100	63,288,500	63,431,200	61,737,500	63,755,700	63,434,700
Equipment	9,710,100	12,918,200	11,223,700	10,771,400	4,396,200	4,262,000
OPERATING SUBTOTAL	398,036,800	457,554,600	509,131,800	490,230,600	516,195,600	500,754,000

SPECIAL LINE ITEMS

Food	27,567,100	33,087,400	36,143,900	36,003,900	37,560,900	37,355,100
Work Incentive Pay Plan	6,976,000	8,916,400	9,675,800	9,648,600	10,192,300	9,989,000
Discharge Expense	248,800	351,800	381,600	381,700	402,700	395,600
Alternative Fuels	383,400	489,000	489,000	489,000	489,000	489,000
1993 Lease-Purchase Payments	12,014,200	0	0	0	0	0
1994 Lease-Purchase Payments	12,420,100	12,414,000	0	0	0	0
Apache County Prison Lease	1,068,500	1,083,500	1,083,500	1,083,500	1,083,500	1,083,500
Community Provider Beds	6,495,400	6,754,000	6,772,500	6,772,500	6,754,000	9,795,700
Return to Custody Beds	1,528,800	2,180,000	2,186,000	2,186,000	2,180,000	2,180,000
DWI Beds	8,586,900	10,626,500	11,119,200	10,655,600	16,189,700	16,709,800
Temporary Private Beds	0	1,800,000	0	0	0	0
Mental Health Beds	0	0	0	0	0	0
AGENCY TOTAL	475,326,000	535,257,200	576,983,300	557,451,400	591,047,700	578,751,700

BY FUND SOURCE

General Fund	448,561,900	520,489,700	573,946,900	553,589,600	587,899,600	574,889,900
Corrections Fund	25,502,800	13,497,500	1,083,500	1,083,500	1,083,500	1,083,500
Penitentiary Land Earnings Fund	999,200	1,000,000	1,000,000	1,375,000	1,000,000	1,375,000
State Charitable, Penal & Reformatories						
Land Earnings Fund	262,100	270,000	270,000	270,000	270,000	270,000
State Education Fund for Correctional						
Education	0	0	233,600	684,000	385,300	684,000
Alcohol Abuse Treatment Fund	0	0	449,300	449,300	409,300	449,300
Other Non-Appropriated Funds	21,739,700	25,999,200	26,570,000	26,570,000	28,941,700	28,941,700
Federal Funds	391,700	464,000	460,800	460,800	460,800	460,800
TOTAL - ALL SOURCES	497,457,400	561,720,400	604,014,100	584,482,200	620,450,200	608,154,200

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Agency Description — *The State Department of Corrections (DOC) maintains and administers a statewide system of prisons for the effective custody, control, correction, treatment and rehabilitation of all adult offenders legally committed to the department. Educational and treatment programs are provided for offenders so they will have opportunities to learn more responsible behaviors and increase their chance of returning to society as law-abiding citizens. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law*

Change in Funding Summary	FY 1999 to FY 2000 JLBC		FY 2000 JLBC to FY 2001 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$33,099,900	6.4%	\$21,300,300	3.8%
Other Appropriated Funds	(10,905,700)	(73.8)%	-0-	0.0%
Total Appropriated Funds	\$22,194,200	4.1%	\$21,300,300	3.8%

Recommended Changes from Prior Year

		FY 2000	FY 2001
Standard Changes			
Pay Annualization	GF	\$4,446,000	\$ -0-
ERE Rates	GF	(704,800)	2,066,200
Risk Management	GF	(3,359,700)	-0-
Rent	GF	3,000	49,600
Eliminate One-Time VanPooling Costs	GF	(561,600)	-0-
Annualization of FY 1999 Prison Openings	GF	(791,400)	-0-

Start-up costs are eliminated and operating costs are annualized for 800 Level 2/3, 800 Level 3, and 800 Level 4 beds opened in FY 1999 at the Lewis complex. The amount also includes the elimination of funding for Temporary Private Beds.

New Beds GF 23,182,400 11,582,700

The recommended FY 2000 amount includes 705 FTE Positions and partial year funding to support the operation of the last 3 prison units (1,750 beds) at the Lewis complex. The recommended FY 2001 amount includes annualizations for the FY 2000 beds, 11 FTE Positions and partial year funding for DOC to contract for 1,000 privately-operated beds in FY 2001. The following tables summarize the costs and opening dates for each set of new beds recommended by JLBC and the Executive. (See *Additional Prison Capacity* section for information on population growth and bed capacity.)

	JLBC Recommendation			FY 2000 Funding	FY 2001 Funding
	Number of Beds	Opening Date	FTE Positions		
Lewis Female Level 3	600	Sep-99	243.0	10,912,800	(2,278,300)
Lewis Minors Level 5	350	Dec-99	204.0	7,493,500	(235,700)
Lewis Male Level 4	800	Jun-00	258.0	4,776,100	4,563,300
Private DWI Beds	500	Sep-00	7.0	0	6,379,400
Private Beds	500	Feb-01	4.0	0	3,154,000
TOTAL	2,750		716.0	23,182,400	11,582,700

	Executive Recommendation				
	Number of Beds	Opening Date	FTE Positions	FY 2000 Funding	FY 2001 Funding
Lewis Female Level 3	600	Sep-99	244.0	11,100,700	see below
Lewis Minors Level 5	350	Jan-00	204.0	6,969,500	see below
Lewis Male Level 4	800	Sep-99	267.0	12,271,500	see below
Private DWI Beds	400	Jun-00	7.0	615,700	see below
Annualize FY 2000 Beds	--	--	--	--	8,527,200
Illegal Alien Private Beds	1,000	Jun-01	4.0	--	1,544,900
TOTAL	3,150		726.0	30,957,400	10,072,100

The differences in funding are primarily due to differences in staffing levels and opening dates. In FY 2000, the Executive recommends opening 400 more private DWI beds than the JLBC recommendation.

Population Growth GF 7,291,400 3,700,500

The recommended amounts fund the marginal costs (\$3,531 per prisoner) for an estimated average daily population (ADP) increase of 1,584, or 132 net new inmates per month in both FY 2000 and FY 2001. The FY 2000 amount includes additional funding for an unanticipated ADP increase in FY 1999 of 481 above the original estimated ADP. The Executive recommends \$7,273,100 in FY 2000 and \$4,260,500 in FY 2001.

Continuation of Correctional

Officer Pay Plan GF 3,724,100 3,995,700

The recommended amounts include funding for the 2 components of the Correctional Officer (CO) Pay Plan. The recommended FY 2000 amount includes \$316,800 to fund salary increases for CO I positions that will be promoted to CO II after 18 months of service. The remaining \$3,407,300 FY 2000 amount funds the fourth year implementation of a CO II salary step system. Under this system, every CO II with a satisfactory annual evaluation is eligible for a 2.5% increase in salary for up to 5 years. The FY 2001 amount includes \$268,700 for CO I to CO II promotions and \$3,727,000 for the fifth year of the CO II salary step system.

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Available data for 1997 indicates that Arizona ranks in the lower half of Western States for CO pay. In 1997, pay for a CO I in Arizona was \$21,111 compared to a Western States average of \$23,017. The FY 2000 pay for a CO I is \$21,639.

The Executive recommendation proposes to combine the funding from the existing CO Pay Plan and their proposed statewide employee merit pay package with additional funding to implement a new CO Pay Plan that will match salary levels for detention officers employed by Maricopa County. The Executive recommends a total of \$14,259,500 in FY 2000 and an additional \$5,640,900 in FY 2001 to implement the new pay plan. Similar to the existing pay plan, the Executive's plan will require additional funding every year to provide annual increases to COs.

The Executive proposal for FY 2000 includes using \$3,700,000 from funding that would have been used to continue the existing CO Pay Plan, \$2,700,000 from funding that would fund the proposed Executive statewide employee merit pay package, and \$7,900,000 in new funding to provide the \$14,300,000 for the new CO Pay Plan. The Executive compares the \$5,600,000 in FY 2001 to annualize the new pay plan against the \$4,200,000 that would have been required in FY 2001 to continue the existing pay plan and the \$5,400,000 that would have been required to annualize the CO portion of the Executive statewide merit pay package.

Over the biennium, the cost of the Executive's new CO Pay Plan would be \$19,900,000 compared to \$16,000,000 that would be required with the existing pay plan and the Executive's proposed merit pay package; a net cost of \$3,900,000 for the new CO Pay Plan.

Classification Maintenance

Review - Nurses	GF	245,500	-0-
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The recommended amount is part of a statewide Classification Maintenance Review (CMR) to bring nurse salaries closer to market. An analysis conducted by the Department of Health Services (DHS) and the Arizona Department of Administration on nurse salaries concluded that nurse salaries at the Arizona State Hospital were 13.6% lower than salaries for similar positions in the private sector. A proposal to provide a 12% market adjustment and stipends for selected nurse positions is being implemented in DHS. The above funding along with \$70,100 from the statewide appropriation in FY 1999 for CMRs will implement the same adjustments for DOC nurses. The funding is continued in FY 2001. The Executive does not address this issue.

Leap Year Costs	GF	61,800	(61,800)
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The recommended FY 2000 amount provides funding for costs associated with housing inmates one additional day in county jails and privately-operated beds. The FY 2001 reduction eliminates this one-time funding. The Executive

recommends \$404,100 in FY 2000 and eliminates the funding in FY 2001. The Executive does not address this issue.

Fund Shift	GF	(375,000)	-0-
	OF	375,000	-0-

The recommended amounts reflect appropriating an additional \$375,000 from the Penitentiary Land Earnings Fund (for a total appropriation in each year of \$1,375,000 from the fund) and a \$(375,000) reduction from the General Fund. The funding shift is recommended in both FY 2000 and FY 2001. The Executive does not address this issue.

50% Out-of-State Travel

Reduction	GF	(61,800)	(32,600)
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1994 Lease Purchase

Payment	OF	(12,414,000)	-0-
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The reduction reflects the elimination of funding from the Corrections Fund for payments on the 1994 issuance of Certificates of Participation (COP) for prison construction. The final payment for this COP issuance occurs in FY 1999. The Executive concurs.

Newly Appropriated Funds	OF	1,133,300	-0-
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The recommended amounts reflect the conversion of the State Education Fund for Correctional Education and the Alcohol Abuse Treatment Fund from non-appropriated to appropriated status by Laws 1998, Chapter 241. The amounts include 6 FTE Positions and \$684,000 from the State Education Fund for Correctional Education and \$449,300 from the Alcohol Abuse Treatment Fund in both FY 2000 and FY 2001. The Executive recommends 2 FTE Positions and \$233,600 in FY 2000 and 3.3 FTE Positions and \$385,300 in FY 2001 from the State Education Fund for Correctional Education. The Executive recommends \$449,300 in FY 2000 and \$409,300 in FY 2001 from the Alcohol Abuse Treatment Fund. (See New Footnotes section.)

Additional Prison Capacity

The table below provides a comparison of the projected month-end prison population, the number of beds (expressed as Operational Capacity), the Projected Bed Shortage, and the percent of the bed deficit over operational capacity (% Over Capacity). The New Beds column indicates when previously authorized beds will come on-line. Three new prison units (1,750 beds) at the Lewis complex are recommended to come on-line in FY 2000. An additional 1,000 privately-operated beds are recommended to come on-line in FY 2001.

The projections in the table assume that the prison population will increase by 132 new inmates per month in both FY 2000 and FY 2001. With the addition of the recommended state and private beds for FY 2000 and FY 2001, the department should experience lower bed deficits than the previous 2 years. Based on the projected

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bed capacity and population growth in FY 2000, the JLBC is recommending opening the last 800 male prison unit in June 2000 rather than September 1999 when construction on the unit will be completed. The bed deficit at the end of FY 2000 is projected to be (1,461) or 5.5% over capacity. The bed deficit at the end of FY 2001 is projected to be (2,045) or 7.4% over capacity.

The capital recommendation includes funding from the Corrections Fund beginning in FY 2000 for construction of a new prison complex. Beds at the new complex are anticipated to come on-line in late FY 2002 or early FY 2003. (See *Capital Outlay* section for further discussion on new prison construction.)

Month/ Year	New Beds	Operational Capacity	Population Projection	Bed Shortage	% Over Capacity
7/97		20,834	23,429	(2,595)	12.5%
8/97		20,834	23,538	(2,704)	13.0%
9/97		21,394	23,656	(2,262)	10.6%
10/97		21,394	23,868	(2,474)	11.6%
11/97		21,370	23,905	(2,535)	11.9%
12/97		21,370	23,866	(2,496)	11.7%
1/98		21,366	24,111	(2,745)	12.8%
2/98		21,364	24,231	(2,867)	13.4%
3/98		21,378	24,417	(3,039)	14.2%
4/98		21,638	24,738	(3,100)	14.3%
5/98		22,038	24,861	(2,823)	12.8%
6/98		21,838	25,081	(3,243)	14.9%
7/98	800 Male-Yuma	22,638	25,213	(2,575)	11.4%
8/98		22,638	25,345	(2,707)	12.0%
9/98		22,638	25,477	(2,839)	12.5%
10/98	800 Male-Lewis	23,438	25,609	(2,171)	9.3%
11/98		23,438	25,741	(2,303)	9.8%
12/98		23,438	25,873	(2,435)	10.4%
1/99		23,438	26,005	(2,567)	11.0%
2/99	800 Male-Lewis	24,238	26,137	(1,899)	7.8%
3/99		24,238	26,269	(2,031)	8.4%
4/99		24,238	26,401	(2,163)	8.9%
5/99	800 Male-Lewis	25,038	26,533	(1,495)	6.0%
6/99		25,038	26,665	(1,627)	6.5%
7/99		25,038	26,797	(1,759)	7.0%
8/99		25,038	26,929	(1,891)	7.6%
9/99	600 Female-Lewis	25,638	27,061	(1,423)	5.6%
10/99		25,638	27,193	(1,555)	6.1%
11/99		25,638	27,325	(1,687)	6.6%
12/99	350 Minors-Lewis	25,988	27,457	(1,469)	5.7%
1/00		25,988	27,589	(1,601)	6.2%
2/00		25,988	27,721	(1,733)	6.7%
3/00		25,988	27,853	(1,865)	7.2%
4/00		25,988	27,985	(1,997)	7.7%
5/00		25,988	28,117	(2,129)	8.2%
6/00	800 Male-Lewis	26,788	28,249	(1,461)	5.5%
7/00		26,788	28,381	(1,593)	5.9%
8/00		26,788	28,513	(1,725)	6.4%
9/00	500 Private Beds	27,288	28,645	(1,357)	5.0%
10/00		27,288	28,777	(1,489)	5.5%
11/00		27,288	28,909	(1,621)	5.9%
12/00		27,288	29,041	(1,753)	6.4%
1/01		27,288	29,173	(1,885)	6.9%
2/01	500 Private Beds	27,788	29,305	(1,517)	5.5%
3/01		27,788	29,437	(1,649)	5.9%
4/01		27,788	29,569	(1,781)	6.4%
5/01		27,788	29,701	(1,913)	6.9%
6/01		27,788	29,833	(2,045)	7.4%

Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are from luxury taxes on alcohol and tobacco products.

The following table lists current and recommended Corrections Fund projects. The JLBC is recommending \$21,000,000 in FY 2000 and FY 2001 to begin construction on a new prison complex. (See *Capital Outlay* section for more information on new prison construction.)

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CORRECTIONS FUND Estimated Revenue and Expenditure Projections (Thousands)				
	FY 1998 Actual	FY1999 Estimate	FY 2000 Estimate	FY 2001 Estimate
Beginning Balance	\$65,507.7	\$16,291.8	\$977.8	\$1,866.0
Revenues	23,467.7	23,500.0	23,500.0	23,500.0
GF & Other Deposits	56,100.0	41,100.0	--	--
Adjustment Account	174.4	--	--	--
Total Revenues	79,742.1	64,600.0	23,500.0	23,500.0
Total Funds Available	145,249.8	80,891.8	24,477.8	25,366.0
Expenditures				
Construction & Maintenance	7.7	36.5	--	--
ADOA Staffing	536.4	558.8	528.3	531.0
Drug Enforcement	0.0	38.5	--	--
FY 1993 Lease-Purchase	12,014.2	--	--	--
FY 1994 Lease-Purchase	12,420.1	12,414.0	--	--
Apache County Lease	1,071.1	1,083.5	1,083.5	1,083.5
FY 1995 Capital Budget				
Youthful Offender 100 Beds	98.8	2.3	--	--
Yuma 400 Level 3 Beds	0.0	17.6	--	--
Globe 100 Level 3 Beds	144.3	369.1	--	--
Aspen Conversion	28.8	0.9	--	--
FY 1996 Capital Budget				
Level 4 to Level 5 Conver.	0.0	450.0	--	--
Tucson 100 Minors Beds	46.9	9.7	--	--
Yuma 400 Level 3 Beds	1,087.7	38.0	--	--
Yuma 800 Level 4 Beds	21,288.6	4,106.2	--	--
Lewis Master Plan	702.1	--	--	--
FY 1997 Capital Budget				
Florence 400 Level 2 Beds	1,799.5	13.1	--	--
Lewis Complex - 4,150 Beds	75,225.7	49,045.0	--	--
Laws 1997, Ch. 212				
Perryville Lock Replacement	2,486.1	187.1	--	--
FY 1999 Capital Budget				
Lewis Complex	--	2,505.7	--	--
Yuma Complex	--	190.0	--	--
Douglas WasteWater	--	5,290.0	--	--
DJC Beds	--	1,558.0	--	--
New Complex Master Plan	--	2,000.0	--	--
FY2000/FY2001 Capital Budget				
New Complex	--	--	21,000.0	21,000.0
Total Expenditures	128,958.0	79,914.0	22,611.8	22,614.5
Fund Balance	\$16,291.8	\$977.8	\$1,866.0	\$2,751.5

JLBC Recommended Format — Modified Lump Sum by Agency

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JLBC Recommended Footnotes

Continued Footnotes

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

New Footnotes

Prior to the expenditure of any state education fund for Correctional Education receipts in excess of \$684,000, the Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote related to the Temporary Private Beds Special Line Item. The footnote is no longer necessary.

FY 2000 Excess Balance Transfers to General Fund

Drug Treatment and Education

Revolving Fund (DCA2277) 2,100,000

The JLBC recommends a one-time transfer of \$2,100,000 from the Drug Treatment and Education Revolving Fund to the General Fund in FY 2000. The fund receives 10% of Luxury Privilege Taxes collected between January 1, 1997 and December 31, 1999. The fund is used to pay expenses for implementation of conditions imposed by the Board of Executive Clemency including participation in rehabilitation programs or counseling for inmates released on parole as a result of an initiative passed in 1996 (Proposition 200). In the 1998 legislative session, the Department of Corrections received authority to use monies to treat any offenders on community supervision who have been identified as requiring treatment.

The FY 1998 fund balance was \$3,551,500. By the end of FY 2001, when the revenue source for the fund will have expired, the fund balance is projected to be \$2,169,300.

Special Services Fund (DCA3187) 4,000,000

The JLBC recommends a one-time transfer of \$4,000,000 from the Special Services Fund to the General Fund in FY 2000. The monies in the fund are from profits from canteens, hobby shops, and commissions on telephone service. The fund is used for the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops.

The FY 1998 fund balance was \$6,288,000. The department projects the balance to grow to \$8,202,000 by the end of FY 2001. In FY 1998, the telephone commission contracts were restructured and the department now receives approximately \$2,500,000 more in annual commissions than it did prior to FY 1997.

The Executive recommends using \$1,000,000 in FY 2000 through FY 2004 from the Special Services Fund to construct a new prison complex.

Arizona Correctional Industries (DCA4002) 4,000,000

The JLBC recommends a one-time transfer of \$4,000,000 from the Arizona Correctional Industries Fund to the General Fund in FY 2000. The monies in the fund are generated from the sale of ACI goods and services and interest earnings. Monies are used to compensate state employees and inmates employed at ACI, and for operating costs of ACI work programs.

Between FY 1977, when ACI was initiated, and FY 1991, when ACI became self-sufficient, the ACI program received over \$26,600,000 in General Fund appropriations.

The FY 1998 fund balance was \$3,008,600. The department projects the balance to grow to \$8,783,700 by the end of FY 2001.

The Executive recommends using \$2,112,700 in both FY 2001 and FY 2002 from the ACI Fund to construct a new prison complex.

Performance Measures	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Estimate	Estimate
Average daily population-prison system	23,436	24,075	25,873	27,457
Average daily population-community supervision	4,239	3,986	4,000	4,000
Offenders returned to prison from community supervision	2,138	969	1,521	1,453
Escapes per 1,000 inmates	0	0	0	0
Average cost per inmate	17,627	18,341	19,778	19,607